



***CITY OF AURORA
TIF QUALIFICATION REPORT
GALENA BROADWAY TIF***

An analysis to assess the likelihood that all or a portion of an area located in the City of Aurora could qualify as a conservation area as defined in the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-3, et seq., as amended.

***Prepared by the City of Aurora, Illinois
in conjunction with
Kane, McKenna and Associates, Inc.***

JULY 2019

**PROPOSED GALENA BROADWAY
REDEVELOPMENT PROJECT AREA/STUDY AREA
TIF QUALIFICATION REPORT**

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EXECUTIVE SUMMARY

Kane, McKenna and Associates, Inc. (KMA) has been retained by the City of Aurora, Illinois (the “City”) to conduct an analysis of the potential qualification and designation of certain property located in the City, to be addressed herein as the proposed Redevelopment Project Area (the “Study Area”) and included in the map attached as Exhibit A. Essentially the Study Area includes portions of the City’s Downtown area generally bordered by East New York Street to the north, the Fox River to the west, Downer Place to the south, and Broadway Avenue to the east. The qualification review is being carried out pursuant to the Tax Increment Allocation Redevelopment Act, 65 ILCS 5/11-74.4-3, et seq., as amended (the “TIF Act”).

The City is pursuing the Study Area designation as part of its ongoing review of the Downtown area, in order to assist in the revitalization of the property and the overall improvement of the Downtown. By undertaking the designation, the City will help strengthen the Study Area as a significant contributor to the City’s overall economic base.

Based upon the preliminary analysis completed to date, KMA has reached the following conclusions regarding the potential qualification of the Study Area as a TIF District:

- 1) *The proposed TIF District could meet the criteria for a “conservation area,” as the term is defined under the TIF Act subject to the provision of additional documentation.* Because 50% or more of the structures are over 35 years of age, the Study Area meets the threshold finding for such designation.
- 2) *Current conditions impede redevelopment* – Without the use of City planning and economic development resources to address certain issues, potential redevelopment activities are not likely to be economically feasible.
- 3) *Viable redevelopment sites could produce incremental revenue* – Within the proposed Study Area, there are parcels which potentially could be redeveloped and thereby produce incremental property tax revenue or other additional revenues to the City. As part of the City’s planning efforts, several potential development sites are included in the Study Area. Such revenue, used in combination with other City resources for redevelopment incentives or public improvements, would likely stimulate private investment and reinvestment in these sites and ultimately throughout the Study Area.
- 4) *Review of TIF designation* – To mitigate certain conditions and to leverage the City’s investment and redevelopment efforts, the City is proposing a TIF designation to improve existing conditions.

I. BACKGROUND

Current Land Use. The Study Area is generally bounded by Galena Boulevard to the north, Fox River to the west, Downer Place to the south, and Broadway Avenue to the east and includes both institutional and private commercial uses.

The Downtown area continues to be an important area for the community – both symbolically and from a community and economic development standpoint.

Key findings are summarized below as taken from the Master Plan for Downtown Aurora (2017).

General Goals/Objectives

- 1) Aurora has one of the lowest crime rates in the nation for a city of its size. A low crime rate doesn't erase the memory of many from the eighties and nineties and addressing misconceptions about safety still remains a challenge for the City.
- 2) Major gateways into the downtown area lack distinction and appeal. While Aurora has an attractive skyline and central streets, there is little indication for visitors traveling to downtown that they have arrived in the heart of Illinois' second-largest city. The first impressions along north-south corridors offer views, but limited signage, of the new RiverEdge Park alongside scrap recycling centers with no sidewalk or strip shopping centers.
- 3) Downtown Aurora has a high number of historic buildings and landmarks which are maintained through various historic preservation initiatives. In the downtown area, there are numerous historic buildings representing a range of architectural styles from Art Deco to Prairie School. There are 20 historic buildings within the Stolp Island National Register Historic District alone, including the Paramount Theatre and the Grand Army of the Republic Memorial.
- 4) Past downtown planning efforts have aimed to create a pedestrian-friendly environment, encouraging access to the Fox River. The FoxWalk Design Guidelines, the RiverEdge Park Master Plan, the Riverfront Vision, Seize the Future, and the Bicycle and Pedestrian plan all emphasize the importance of walkability and the Riverwalk. The Aurora Zoning Ordinance emphasizes pedestrian comfort and walkability in the downtown and provides standards for new developments to maintain pedestrian access and incorporate potential views of the Fox River.
- 5) Aurora has integrated streetscape and signage amenities in the downtown. People who live and work in downtown Aurora already know their favorite dining spots, where they can easily find parking, and where their favorite stores are located.

However, many of these amenities are historic in nature and are concentrated on Stolp Island, where business district signage is limited. For newcomers to Aurora, signage and wayfinding could help to make their visit more enjoyable and seamless. Clear and direct paths to the downtown should be more evident and recognizable, particularly for visitors arriving by train.

As a result of the findings, above, several recommendations are noted for the RPA and the wider Downtown area:

- Coordinate with other riverfront communities to create a cohesive wayfunding package to promote redevelopment of downtowns.
- Develop stronger visual and physical links to the riverfront.
- Identify key routes between destinations and important gateways in the Downtown.
- Extend signage and marketing initiatives.
- Identify and prioritize gateway entrances into, and prominent corridors within, downtown.
- Target infrastructural and aesthetic improvements to enhance the sense of place.
- Promote and cultivate the cultural identity of Downtown.
- Establish a broad marketing reach.
- Identify and evaluate common pedestrian routes and parking facilities for safety improvements.
- Identify and activate vacant spaces.
- Promote community engagement and enhanced patrolling techniques.

Source: pages 14 to 23, "A Master Plan for Downtown Aurora" (2017).

The City's interest in the proposed Study Area reflects a concern for certain underutilized properties at this location and the presence of sustained vacancies at visible locations.

Overall, the area faces a number of potential redevelopment impediments as described in Section IV of this report. Additionally, while the area has certain assets, the current state of the local and national economy, characteristics of parcel sizes, existing uses, and redevelopment challenges associated with older buildings and smaller sites contribute to constraints related to redevelopment.

The City has determined that the redevelopment of the proposed Study Area could be beneficial to the community. With a redevelopment strategy in place, the economic base of the Study Area would be stabilized and increased – thereby benefiting the community as a whole.

General Scope and Methodology. KMA performed its analysis by conducting a series of discussions with City staff, starting in April, 2019 and continuing periodically up to the date of this report. The purpose of the review was to gather data related to the preliminary qualification criteria for properties included in the Study Area. These discussions were complemented by a series of field surveys for the entire area to evaluate the condition of the Study Area. The field surveys and data collected have been utilized to test the likelihood that the Study Area could qualify for TIF designation – subject to collection of additional documentation and/or review at a later date.

The qualification factors discussed in this report would assist in the qualification of the Study Area as a conservation area, as the term is defined pursuant to the TIF Act.

For additional information about KMA's data collection and evaluation methods, refer to Section III of this report.

The conclusions in this report are conditioned on the Study Area being removed from the City's Downtown Tax Increment Financing District 1 prior to designation of the Study Area as a TIF District.

II. QUALIFICATION CRITERIA

With the assistance of City staff, Kane, McKenna and Associates, Inc. assessed the proposed Study Area to determine the likelihood that qualifying factors listed in the Act would be present. The relevant provisions of the Act are cited below.

The Act sets out specific procedures which must be adhered to in designating a redevelopment project area (Study Area). By definition, a “redevelopment project area” is:

“An area designated by the municipality, which is not less in the aggregate than 1½ acres and in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as a blighted area or a conservation area, or a combination of both blighted areas and conservation areas.”

Under the Act, “conservation area” means any improved area within the boundaries of a redevelopment project area located within the territorial limits of the municipality where certain conditions are met, as identified below.

TIF Qualification Factors for a Conservation Area. In accordance with the TIF Act, KMA performed a two-step assessment to determine if the proposed Study Area qualified as a conservation area. First, KMA analyzed the threshold factor of age to determine if 50% or more of the structures were 35 years of age or older.

Secondly, the area was examined to determine if a combination of three (3) or more of the following factors were present, each of which is (i) present, with that presence documented to a meaningful extent so that a municipality may reasonably find that the factor is clearly present within the intent of the Act and (ii) reasonably distributed throughout the improved part of the redevelopment project area. Per the TIF Act, such an area is not yet a blighted area but because of a combination of the following factors is detrimental to the public safety, health, morals or welfare and such an area may become a blighted area.

(A) Dilapidation. An advanced state of disrepair or neglect of necessary repairs to the primary structural components of building or improvements in such a combination that a documented building condition analysis determines that major repair is required or the defects are so serious and so extensive that the buildings must be removed.

(B) Obsolescence. The condition or process of falling into disuse. Structures become ill-suited for the original use.

(C) Deterioration. With respect to buildings, defects include but are not limited to, major defects in the secondary building components such as doors, windows, porches, gutters, downspouts, and fascia. With respect to surface improvements, that the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking and surface storage areas evidence deterioration, including, but limited to, surface cracking, crumbling, potholes, depressions, loose paving material and weeds protruding through paved surfaces.

(D) Presence of Structures Below Minimum Code Standards. All structures that do not meet the standards of zoning, subdivision, building, fire and other governmental codes applicable to property, but not including housing and property maintenance codes.

(E) Illegal Use of Individual Structures. The use of structures in violation of applicable federal, State, or local laws, exclusive of those applicable to the presence of structures below minimum code standards.

(F) Excessive Vacancies. The presence of buildings that are unoccupied or under-utilized and that represent an adverse influence on the area because of the frequency, extent or duration of the vacancies.

(G) Lack of Ventilation, Light, or Sanitary Facilities. The absence of adequate ventilation for light or air circulation in spaces or rooms without windows, or that require the removal of dust, odor, gas, smoke or other noxious airborne materials. Inadequate natural light and ventilation means the absence of skylights or windows for interior spaces or rooms and improper window sizes and amounts by room area to window area ratios. Inadequate sanitary facilities refers to the absence or inadequacy of garbage storage and enclosure, bathroom facilities, hot water and kitchens and structural inadequacies preventing ingress and egress to and from all rooms and units within a building.

(H) Inadequate Utilities. Underground and overhead utilities such as storm sewers and storm drainage, sanitary sewers, water lines and gas, telephone and electrical services that are shown to be inadequate. Inadequate utilities are those that are: (i) of insufficient capacity to serve the uses in the redevelopment project area; (ii) deteriorated, antiquated, and obsolete or in disrepair; or (iii) lacking within the redevelopment project area.

(I) Excessive Land Coverage and Overcrowding of Structures and Community Facilities. The over-intensive use of property and the crowding of buildings and accessory facilities onto a site. Examples of problem conditions warranting the designation of an area as exhibiting excessive land coverage are: (i) the presence of buildings either improperly situated on parcels or located on parcels of inadequate size and shape in relation to present-day standards of development for health and safety and (ii) the presence of multiple buildings on a single parcel. For there to be a finding of excessive land coverage, these parcels must exhibit one or more of the following conditions: insufficient provision for light and air within or around buildings, increased threat of spread of fire due to the close proximity of buildings, lack of adequate or proper access to a public right-of-way, lack of reasonably required off-street parking or inadequate provision for loading service.

(J) Deleterious Land-Use or Layout. The existence of incompatible land-use relationships, buildings occupied by inappropriate mixed-uses, or uses considered to be noxious, offensive or unsuitable for the surrounding area.

(K) Environmental Clean-Up. The proposed redevelopment project area has incurred Illinois Environmental Protection Agency or United States Environmental Protection Agency remediation costs for (or a study conducted by an independent consultant recognized as having expertise in environmental remediation has determined a need for) the clean-up of hazardous waste, hazardous substances or underground storage tanks required by State or federal law. Any such remediation costs would constitute a material impediment to the development or redevelopment of the redevelopment project area.

(L) Lack of Community Planning. The proposed redevelopment project area was developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area's development. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards or other evidence demonstrating an absence of effective community planning.

(M) "Stagnant" or "Declining" EAV. The total equalized assessed value of the proposed redevelopment project area has declined for three (3) of the last five (5) calendar years, or is increasing at an annual rate that is less than the balance of the municipality for three (3) of the last five (5) calendar years, or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for three (3) of the last five (5) calendar years. The finding is based on the last 5 years for which information is available.

III. EVALUATION METHODOLOGY

In evaluating the proposed Study Area's potential qualification as a TIF District, the following methodology was utilized:

- 1) Site surveys of the Study Area were undertaken by representatives from Kane, McKenna and Associates, Inc., supplemented with photographic analysis of the sites. Preliminary surveys were completed of properties located within the Study Area.
- 2) KMA conducted evaluations of exterior structures and associated site improvements, noting such conditions as deterioration and excessive vacancies. Additionally, KMA reviewed the following data: 2012 to 2018 tax information from Kane County, the Township Assessor, tax maps, aerial photos, site data, local history (including discussions with City staff), and an evaluation of area-wide factors that have affected the area's development (e.g., Deterioration, stagnant or declining EAV, excessive vacancies, and lack of community planning etc.).
- 3) Existing structures and site conditions were initially surveyed only in the context of checking, to the best and most reasonable extent available, TIF Act factors applicable to specific structures and site conditions of the parcels.
- 4) The Study Area was examined to assess the applicability of the different factors required for qualification as a TIF district. Examination was made by reviewing the information and determining how each measured when evaluated against the relevant factors. The Study Area was evaluated to determine the applicability of the thirteen (13) different factors, as defined under the Act, which would qualify the area as a TIF District.

IV. QUALIFICATION FINDINGS FOR PROPOSED STUDY AREA

Based upon KMA's evaluation of parcels in the proposed Study Area and analysis of each of the eligibility factors summarized in Section II, the following factors are presented to support qualification of the proposed Study Area as a conservation area under the TIF Act. These factors are summarized in the table below.

Exhibit 1

Summary of TIF-Qualifying Factors

Maximum Possible Factors per Statute	Minimum Factors Needed to Qualify per Statute	Qualifying Factors Present in Proposed Study Area
13	3	5 • Lagging or Declining EAV • Excessive Vacancies • Deterioration • Lack of Community Planning • Obsolescence

Findings for Study Area. The proposed Study Area meets the qualifications for a conservation area under the statutory criteria set forth in the TIF Act. As a first step, KMA determined that 26 of 26 structures (100%) were 35 years in age or older based upon City and Township Assessor data. Secondly, KMA reviewed the 13 aforementioned criteria needed to qualify the area as a conservation area, determining that 5 factors were present:

1. Lagging or Declining EAV. The Act states that if the total equalized assessed value of the proposed redevelopment project area has declined for three (3) of the last five (5) calendar years, or is increasing at an annual rate that is less than the balance of the municipality for three (3) of the last five (5) calendar years, or is increasing at an annual rate that is less than the Consumer Price Index for All Urban Consumers published by the United States Department of Labor or successor agency for three (3) of the last five (5) calendar years.

The finding is based on the last 5 tax years for which information is available. The EAV of the Study Area has declined for five (5) of the last five (5) years and has lagged behind the CPI for five (5) of the last five (5) and has also lagged behind the balance of the City's EAV for five (5) of the last five (5) years. (refer to chart below). Therefore, a finding of declining or lagging EAV is made pursuant to the TIF Act.

Exhibit 2
EAV Trends for TIF District

	2018	2017	2016	2015	2014	2013
Total:	1,082,305	1,092,902	1,251,130	1,386,654	1,511,208	1,567,446
Annual % Change:	-12.6%	-9.8%	-8.2%	-3.6%	-5.8%	
City Total EAV:	3,927,968,611	3,705,635,744	3,470,093,810	3,210,394,954	3,058,755,881	3,068,739,066
Balance of City EAV:	3,926,886,306	3,704,542,842	3,468,842,680	3,209,008,300	3,057,244,673	3,067,171,620
Annual % of Change:	6.8%	8.1%	5.0%	-0.3%	-5.6%	-
CPI - All Urban Consumers:	2.4%	2.10%	1.30%	1.10%	1.60%	-

Source: Kane County Clerk, Aurora Township Assessor, and U.S. Bureau of Labor Statistics

2. Excessive Vacancies. The TIF Act indicates that this factor is present if there is the presence of buildings that are unoccupied or under-utilized and that represent adverse influence on the area because of the frequency, extent or duration of the vacancies.

The Terminal Building is 100% vacant and has been vacant for over a decade. Vacancies are also significant at 2 S. Broadway and 105 E. Galena (the top 7 floors are vacant) and portions of 100 E. Galena are reported vacant. Other Broadway and Galena Avenues buildings include vacancies on the upper floors, and several storefronts on Broadway Avenue north of Galena have also been vacant over several years.

3. Deterioration. As noted in Section II, “deterioration” under the TIF Act is defined to include deteriorated surface improvements or structures (specifically evidenced by surface cracking, crumbling, potholes, depressions, loose paving material and weeds). Various degrees of deterioration were observed throughout the Study Area. Much of the observed deterioration centered around the condition of surface improvements such as the alleys and parking lots. These surface improvements had multiple potholes, uneven pavement and cracks. Overall, most instances of deterioration related to site improvements, including loading areas and drives throughout the area. However exterior components, such as the need for tuckpointing or repair of window and door frames, was also noted, especially in vacant or partially vacant structures (such as the Terminal Building) or structures along Broadway north of Galena Boulevard. Rear portions of many of the structures evidenced deterioration as well.

4. Lack of Community Planning. The TIF Act indicates that this factor is present if the proposed redevelopment project area was developed prior to or without the benefit or guidance of a community plan. This means that the development occurred prior to the adoption by the municipality of a comprehensive or other community plan or that the plan was not followed at the time of the area’s development. This factor must be documented by evidence of adverse or incompatible land-use relationships, inadequate street layout, improper subdivision, parcels of inadequate shape and size to meet contemporary development standards or other evidence demonstrating an absence of effective community planning.

All of the buildings in this TIF area were developed prior to the City's 1957 Comprehensive Plan and prior to the adoption of the updated 1984 Comprehensive Plan. Subsequent structures were developed prior to the Downtown Plan and also represented market conditions and market needs that have shifted since the date of their initial construction.

The majority of commercial structures have greater land coverage than would be suitable or acceptable for today's development standards. There exists a higher proportion of the zero lot line parcels more common in the decades prior to construction of modern shopping areas and residential subdivisions. This condition is manifested most significantly in the lack of on-site parking facilities for many of the commercial structures. Lack of on-site parking acts as a detriment to healthy private sector redevelopment efforts.

Tenants and service providers operating in many of the structures are reliant on restricted on-street parking, or off-street municipal facilities to serve the needs of patrons. This puts them at a competitive disadvantage with their counterparts located in non-downtown locations.

Another determinant in the deleterious land use and layout relates to traffic patterns and conditions, including:

- Ability to manage traffic flow and volumes along Galena and Downers and ancillary streets.
- Improvements to parking related signage and circulation.
- Integration of the proposed uses with adjacent uses.
- Coordinated parking for redevelopment uses and existing users.

The characteristics noted above contribute to the presence of land use relationships that demonstrate the lack of community planning.

5. Obsolescence. The TIF Act indicates that this factor is present if there is the condition or process of falling into disuse, or structures are ill-suited for their original use. The former Terminal Building and Aurora Bank (now Midwest Bank) structures have been largely vacant or underutilized for several years. Many of the upper levels of structures located along Broadway Avenue, and in some cases first floor storefronts, has also suffered ongoing vacancies. Significant upgrades and/or reconstruction would be associated with reuse of the buildings or redevelopment for more productive use and occupancy by new tenants. The age of many of the structures (100+ years) also presents challenges in terms of retrofitting (e.g., communications/HVAC, electrical systems) and the costs associated with converting older building spaces for market acceptance.

V. SUMMARY OF FINDINGS; GENERAL ASSESSMENT OF QUALIFICATION

The following is a summary of relevant qualification findings as it relates to the City's potential designation of the proposed TIF District.

1. The area is contiguous and is greater than 1½ acres in size;
2. The proposed RPA will qualify as a Conservation Area. Further, the Conservation Area factors found in the RPA are present to a meaningful extent and are reasonably distributed throughout the area. A more detailed analysis of the qualification findings is outlined in Section IV of this report;
3. All property in the area would substantially benefit by the proposed redevelopment project improvements;
4. The sound growth of taxing districts applicable to the area, including the City, has been impaired by the factors found present in the area; and
5. The area would not be subject to redevelopment without the investment of public funds, including property tax increments.

In the judgment of KMA, these findings provide the City with sufficient justification to consider designation of the property as a TIF District.

Exhibit A

Boundary Map

Boundary Map

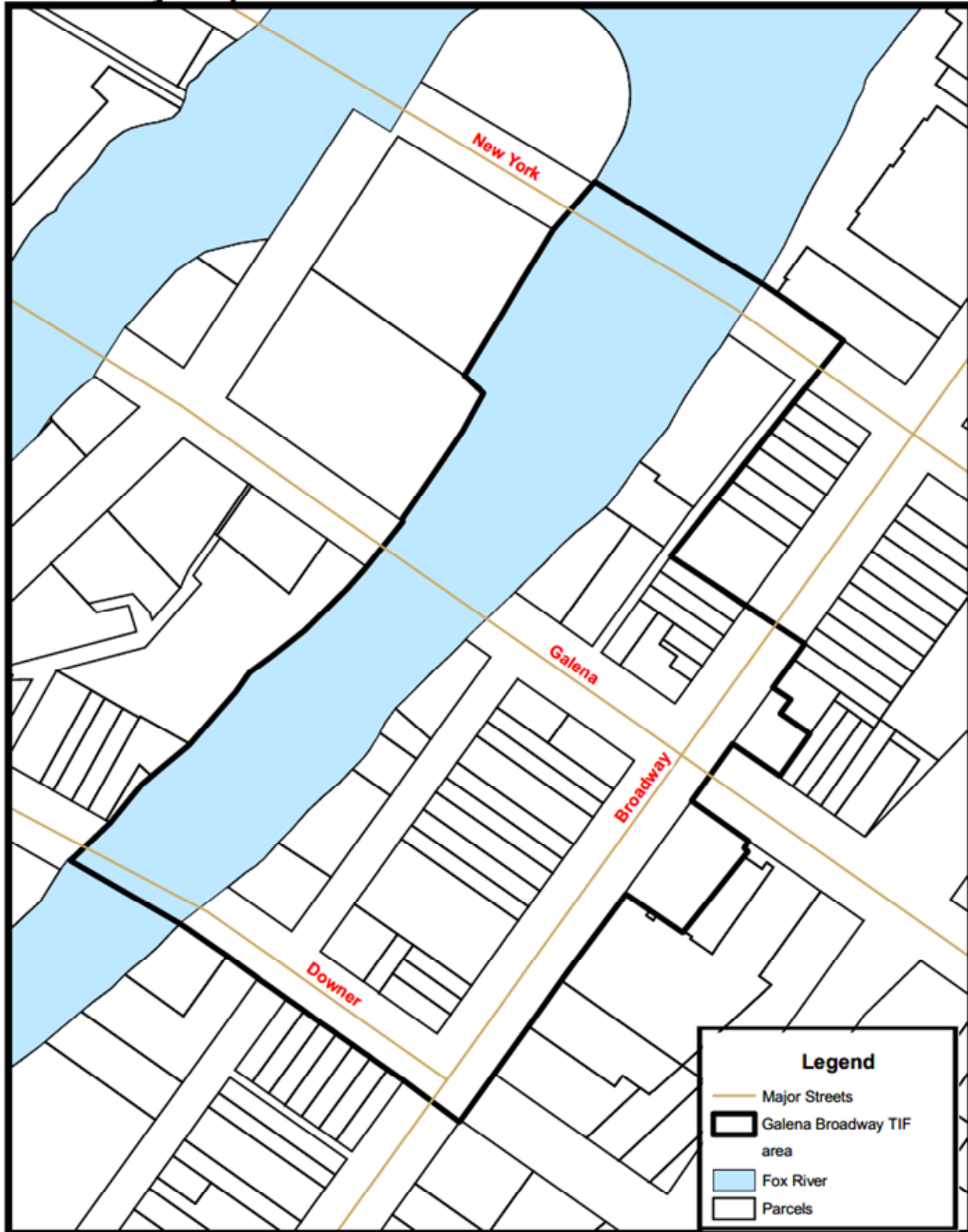


Exhibit B

Tax Parcel List

Proposed TIF #11 - Galena/Broadway

15-22-331-015
15-22-331-016
15-22-331-017
15-22-331-018
15-22-331-019
15-22-331-020
15-22-331-021
15-22-331-025
15-22-331-026
15-22-331-027
15-22-331-031
15-22-335-001
15-22-335-002
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